

**PROPERTY OWNERS ASSOCIATION
OF SPANISH COVE
(POASC)**

**MANUAL OF
ACCOUNTING POLICIES**

AUGUST 2010

August 23, 2010

Property Owners Association of Spanish Cove (POASC).
Lillian, AL, 36549

I am furnishing you with a copy of the Manual of Accounting Policies. This contains the official financial management and accounting policies of the Association.

This Manual, the Code, was developed to codify the organization's policies to strengthen its traditional financial management and accounting functions. This Manual also contains our policies on bid and contract processes and property management. This Policy Manual and the enforcement of these policies are essential to safeguard the organization's assets and practice.

More than simply collecting dust on one's shelf, these policies are intended to be observed. Your performance will be judged, in part, by your adherence to these policies.

It is our intention to keep this Manual up to date. For your part, after reading it, and as you use it, we would appreciate your input on how these policies could be made more relevant to your job and your suggestions for new or changed policies.

It is our goal to keep POASC a strong and viable operation, and we consider this Manual to be an important step in that direction.

Sincerely,

Judy Deeter
Chairman, POASC

Joe Dunkin
Operations Manager

POASC

MANUAL OF ACCOUNTING POLICIES

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100 INTRODUCTION

101 Purpose of Manual

The Manual of Accounting Policies is the official document of the Property Owners Association of Spanish Cove (POASC) for the conduct of business.

The purpose of the Manual of Accounting Policies is to provide detailed information on the accounting and financial administration of POASC.

This Manual constitutes all current fiscal policies and standards developed by POASC, unless otherwise noted, through the time of issuance.

103 Scope and Organization

The general organization of the Manual of Accounting Policies is as follows:

Section 100 Introduction - - provides a description of the purpose of the Manual of Accounting Policies and its organization.

Section 200 Internal Control Policies - - describes the system of organizational, systems and human controls in place to safeguard the assets of POASC and to ensure business is conducted in an ethical and legal manner.

Section 300 Financial Management Policies - - sets forth policies for the operation of the financial management structure of POASC.

Section 400 Accounting for Assets, Liabilities and Capital - - establishes policies for accounting for the Association's cash, investments, accounts receivable, liabilities, expenses and capital.

Section 500 Revenue Policies - - reflects when and how to recognize income.

Section 800 Property Management Policies - - presents policies and practices over the identification, control and disposition of POASC owned property, equipment and materials.

105 Definition of Terms

When reference is made to terms herein, the terms defined by Generally Accepted Accounting Principles (GAAP) have been used throughout this Manual and these terms should be consulted. GAAP is a widely accepted set of rules, conventions, standards and procedures for reporting financial information, as established by the Financial Accounting Standards Board

107 Amending the Manual of Accounting Policies

This Manual contains the essential fiscal policies of POASC, applicable as of the date of publication. From time to time, as additional matters require incorporation or changes to this Manual are appropriate, officials of POASC may amend this Manual. POASC will enact changes by formal revisions. Revisions will be reviewed and approved by the Finance Committee and Board of Directors, and dated and signed by the Chairman of the Board (Chairman).

200 INTERNAL CONTROL POLICIES

201 General Business Conduct and Disclosure

- A. Unethical actions, or the appearance of unethical actions, are unacceptable under any conditions. The policies and reputation of POASC depend largely on the following considerations.
- B. Each Board Member, Committee member or employee must apply his/her own sense of personal ethics, which should extend beyond compliance with applicable laws in business situations, to govern behavior where no existing regulation provides a guideline. When specific rules do not provide all the answers, it is the individual's responsibility to apply common sense in business decisions.
- C. In determining compliance with this code in specific situations, ask yourself the following questions:
 - 1. Is my action ethical?
 - 2. Is my action legal?
 - 3. Does my action comply with POASC policy?
 - 4. Am I sure that my action doesn't appear inappropriate?
 - 5. Am I sure that I would not be embarrassed or compromised if my action became known within the Association or publicly?
 - 6. Am I sure that my action meets my personal code of ethics and behavior?

You must be able to answer, "Yes" to all these questions before taking action.

- D. Each supervisor is responsible for the ethical business behavior of his/her subordinates. Supervisors must weigh carefully all suggested courses of action in ethical, legal and economic terms and base their decisions on the guidelines provided by this code as well as their personal sense of right and wrong.
- E. Implementation of the provisions of this code is one of the standards by which POASC will measure the performance of all levels of employees and the actions of POASC officials. "Official", as defined here is any POASC Management personnel, including Board members and Officers.
 - 1. In recommending or proposing a particular business transaction or course of action for approval, those involved must disclose to their superiors or to the Board of Directors of the Association (if the recommendation is to the Board) all the pertinent information they know about such transactions and the persons involved. The disclosure should include significant information that they may have reason to believe others may have omitted.
 - 2. Specifically, the Association does not tolerate the willful violation or circumvention of any laws of the United States, the State of Alabama or Baldwin County by any POASC official or employee during the course of that person's employment; neither does the Association tolerate the disregard or circumvention of corporate policy or engagement in unscrupulous dealings. POASC Officials or employees will not

attempt to accomplish by indirect means, through agents and intermediaries, what is directly forbidden.

- F. Failure to comply with standards contained in this code will result in disciplinary action that may include termination, referral for criminal prosecution, and reimbursement to the Association for any losses or damage resulting from the violation. As with all matters involving disciplinary action, principles of fairness will apply. Any POASC Official or employee charged with a violation of this code will have an opportunity to explain his or her actions before disciplinary action is taken.

Disciplinary action will be taken:

1. Against POASC Officials or employees who authorize or participate directly in actions that are a violation of this code.
2. Against any POASC Official or employee who has deliberately failed to report a violation or deliberately withheld relevant and material information concerning a violation of this code.
3. Against any supervisor, official or body that attempts to retaliate, directly or indirectly, or encourages others to do so, against any POASC Official or employee who reports a violation of this code.

203 Compliance with Laws

A. Disclosure of Private Information

The Association's financial and administrative information is often considered Proprietary in nature. Examples of such information are:

1. Salary, wages and benefits data
2. Employee, property owner and vendor lists
3. Official records and reports of the Association (See Section **213**)

B. Commercial Bribery

POASC Officials and employees are neither allowed to make a payment directly, indirectly or as a kickback to influence someone else, nor allowed to accept anything of value from someone who wants to do business with POASC. Inexpensive advertising and promotional items are not considered to have "value", and an occasional business meal may be accepted or given if it has a value of under \$25.

POASC strongly discourages any gifts to any individual, but in the event a gift is proposed, approval must be secured in advance from the Operations Manager or Chairman if the Operations Manager is personally involved. However, one may only accept inexpensive gifts of an advertising and promotional nature. Gifts that do not fit this category must be returned. If the return of a gift is not practicable because of its nature, it may be given to a charitable institution and the giver informed of its disposition.

One may neither give nor receive any lavish or expensive entertainment, but occasional normal and customary social business amenities are permitted.

If asked to make or accept a payment or gift in any form prohibited by this code, report the matter to your supervisor immediately.

C. Record Keeping

To provide an accurate and auditable record of all financial transactions, POASC books, records, and financial accounts must be capable of sustaining an examination to check their accuracy. You are responsible for safeguarding Association assets under your control and for maintaining an auditable record of financial transactions.

Further, the Association specifically requires that:

1. No funds or accounts may be established or maintained for purposes not fully and accurately described on the books and records of the Association.
2. Receipts and disbursements must be fully and accurately described on the books and records of the Association.
3. No false entries may be made on the books or records nor any false or misleading reports issued.
4. Payments may be made only to the contracting party or a valid assigned individual and only for the actual services rendered or products delivered. No false or fictitious invoices may be paid.

If you have any reason to believe that the Association's books and records are not in accord with the foregoing requirements, report the matter to the Chairman or other appropriate corporate official.

205 POASC Official or Employee Conflict of Interest

A. General

You have a primary responsibility to POASC and are required to avoid any activity that may interfere, or have the appearance of interfering, with the performance of this responsibility. Similarly, you may not use or disclose confidential or proprietary information in any outside activity.

A conflict of interest exists if your outside business or other interest may adversely affect your motivation or performance.

How can you tell if you have a conflict of interest? The test criteria include not only whether you actually are improperly influenced but also whether the situation lends itself to improperly influencing you. Even if you are the most conscientious person, a conflicting interest may unconsciously influence you, and the mere existence of that interest may cause the propriety of your acts to be questioned.

If you take inventory of your outside interests, you can determine not only whether you actually are improperly influenced, but also whether the situation lends itself to improperly influencing you.

B. Responsibility of POASC Official or Employees' Relatives

People generally tend to identify their interests with those of their immediate family. You should discourage family members from doing anything that would be improper for you as a POASC Official or employee to do. In addition, it is a good general rule not to discuss the Association's business with anyone, including relatives, who are not the Association's Officials or employees. Members of your immediate family should be asked not to discuss Association business in the presence of others.

C. POASC Official or employee's Duty to Report Conflict of Interest

It is your duty to report to your supervisor or a senior POASC official any known or possible conflicts of interest within the organization. Further, you should report to senior management any instances that come to your attention where non-corporate personnel misrepresent themselves.

207 Authority of the Board of Directors

With certain exceptions requiring the approval of the POASC Membership as stated in the POASC Bylaws, the Board of Directors will have the sole authority to approve and will incorporate into its own minutes such matters as:

- A. Incurrence of debt, mortgages or other encumbrances and their covenants and restrictions
- B. Payment or performance guarantees of third parties
- C. Investment policies and investments
- D. Depository and investment banks and brokerage firms (annually)
- E. Purchase or sale of real or personal property
- F. Contracts or subcontracts
- G. Leasing of real property
- H. Initiation, termination or settlement of any litigation
- I. Opening or closing checking or savings accounts
- J. Selection of the organization's public accountants, attorneys and other professional consultants.

Exceptions will be addressed herein or in the Accounting Procedures Manual

209 Responsibilities

- A. In accordance with the POASC Bylaws Section 3.3, a principal duty of the Board of Directors is "To assure accountability of all officers, agents and employees of this Association, and to see that their duties are properly performed."
- B. The Board of Directors must specifically approve:
 - 1. All salary and wage changes
 - 2. Funding of any expenditure from the Reserve Funds

3. Any expenditure of funds from the Contingency line item of the Budget
4. The amount of the Assessment, in accordance with the Covenants for each Assessment period
5. All contracts for goods and services in excess of \$1,500

211 Endorsement Requirements for Association Checks

- A. All checks issued by the Association will be signed by two authorized officials, each of whom is independent of the other person.
- B. No check will be issued without a corresponding Purchase Order or invoice approved by an authorized official. In the case of credit card invoices, multiple Purchase Orders may be required to ensure each purchase is properly accounted for.
- C. The practice of pre-signing blank checks is a specific violation of POASC’s internal control structure.

213 Property Owner Access to Records

The Operations Manager will provide access to the organization’s financial records as requested by property owners in accordance with Alabama law and POASC Bylaws and Operating Procedures.

215 Security of Financial Data

- A. The Association’s automated accounting system will have sufficient built-in general controls and application controls to preclude unauthorized access to data.
- B. Access to any computer-based financial data will be granted on a need-to-know basis and will be restricted by a series of passwords to be revised at least semi-annually or as directed by the Operations Manager.
- C. The system’s accounting data will be backed up on a daily basis and stored in a safe location.

217 Security of Corporate Documents

Originals of the following important corporate documents will be maintained at the indicated location and their presence verified on a periodic basis:

<u>Document</u>	<u>Location</u>	<u>Frequency Of Inventory</u>	<u>Disposal</u>
Minutes of the Board of Directors	POASC Office	Annual	Never
Banking agreements	POASC Office	Annual	7 years from expiration
Securities	POASC Office	Annual	↓
Financing documents	POASC Office	Annual	↓
Leases	POASC Office	Annual	↓
Insurance policies	POASC Office	Annual	↓
Contracts and subcontracts	POASC Office	Annual	↓
Joint venture agreements	POASC Office	Annual	↓

219 Use of Company Assets

- A. No employee of POASC may use any Association property, equipment, material or supplies for personal use without the prior approval of the Operations Manager, or in his absence, the POASC Chairman. Such use will be recorded and will be reported to the Board of Directors.
- B. Any such uses of Association assets for personal purposes may be reported to the Internal Revenue Service.

221 Use of Company Credit Cards

- A. Credit cards may be used only for POASC business. They may NOT be used for any personal purposes.
- B. Monthly credit card statements will be received by the bookkeeper and reconciled to transaction receipts.

223 Other Internal Control Policies

As a corporation operating under the Alabama Nonprofit Corporation Act, POASC has instituted the following additional internal control policies related to its regular operations:

- A. Only approved purchase orders are used for initiating purchases and charging costs.
Note: See Section **403** for Petty Cash Policy
- B. Labor charges will be regularly compared with work actually performed on a sample basis.
- C. Any alteration made to a time sheet by an employee or a supervisor will be justified in writing on the source document and initialed by both the employee and the supervisor.
- D. POASC invoices unpaid beyond 30 days of submission will be followed up for collection.
- E. POASC will perform internal reviews as circumstances dictate. (See Section **323**)

300 300 FINANCIAL MANAGEMENT POLICIES

301 Basis of Accounting

POASC will maintain its books of account in accordance with GAAP as approved by the Board of Directors.

303 Cash Management

- A. Only cash necessary to meet anticipated weekly outlays will be kept available.
- B. ~~Excess checking account cash needed for near term expenses (less than 180 days) will be maintained in a Money Market Account. Other excess cash will be transferred to authorized Reserve Funds in investments having maturities of six months or more as determined by the Treasurer with the concurrence of the Finance Committee. Cash and~~

Reserve Fund status will be reported to the Board of Directors on a monthly basis (See Section 413). Cash in excess of what is anticipated to be needed during the current calendar quarter will be maintained in a Money Market Account or in CDs or US Treasury issue obligations with a three-month maturity or less as determined by the Treasurer with the concurrence of the Financial Committee. Cash and Reserve Fund status will be reported to the Board of Directors on a monthly basis.

B-Revised 08/18/11

D.C. A schedule of aged accounts receivable will be prepared monthly and reviewed for collection with the Operations Manager and Treasurer. Appropriate collection procedures will be initiated. Follow-up contacts will be recorded and maintained in the accounting system for use in any legal proceedings.

E.D. At the end of the fiscal year, those funds that represent net Revenue over Expenses, excluding Prepaid Assessments, must be spent or transferred per the advice of the auditor in accordance with IRS rules. Ninety-five percent of the predicted excess is to be distributed no later than the 31st of May of each year, and the remainder upon completion of the annual audit.

305 Cash Forecasting

- A. The bookkeeper will be responsible for preparing and maintaining a cash forecast.
- B. The cash forecast will be updated monthly or as directed. The Operations Manager will approve the cash forecast and present the forecast to the Treasurer and Finance Committee each month.

307 Accounts Receivable Aging Criteria

Accounts receivable outstanding will be aged on a ~~thirty/sixty/over ninety~~90/180/270 day basis.

309 Selection of Lenders

- A. Various capital sources will be compared by the Treasurer before financing arrangements are decided.
- B. The POASC Treasurer, with concurrence of the Finance Committee and the approval of the Board of Directors, will select banking and other financial institutions from which to borrow based on preferential terms obtained and accessibility consistent with other factors/potential business contacts/etc.

311 Assessments

- A. Annual assessments, as determined by the Board of Directors, will be billed at the beginning of each fiscal year. This mailing consists of a cover letter and quarterly coupons (4), and is to be mailed no later than the 15th of March. Payments may be made quarterly or annually.
- B. In the event of an assessment increase, notice is to be given to the property owners 30 days prior to the date the increase becomes effective.

- C. Submission of payment should be made at the POASC Corporate designated bank, or the POASC office.
- D. Quarterly payments are due on April ~~1st~~, July 1st, October 1st and January 1st and become delinquent on May 1st, August 1st, November 1st and February 1st. All delinquent accounts will receive a notification. A penalty will be assessed on ~~any~~ past due amounts each ~~month~~quarter, until the account is paid.
- E. Regardless of the payment method chosen, all due dates must be met, as delinquency guidelines will be followed.
- F. Funds owed POASC by property owners for dues/assessments, fines, and sale of property, that are not paid when due, will be declared delinquent and subject to the POASC Accounts Receivable Collection Policy.

313 Budgets

POASC will have prepared, have approved by the Board of Directors and keep up to date an annual operating budget of revenues and expenses, cash budget, capital improvement budget, AR&R budget and a pro forma balance sheet. The Finance Committee will review the Budget at the beginning of the third and fourth quarter of each fiscal year.

315 Insurance and Bonding

A. The Association will maintain the following minimum levels of coverage:

- | | |
|---|---|
| 1. Comprehensive liability | \$2,000,000 |
| 2. Automobile insurance for employees | \$1,000,000 |
| 3. Fire, water, wind, hail and flood damage | Coverage for all items with acquisition cost to limit of \$500,000 |
| 4. Theft | Coverage for all items with acquisition cost up to \$100,000 per occurrence |
| 5. Worker's Compensation | To the extent required by state law |

B. For personnel handling cash or preparing or signing checks, POASC will obtain minimum insurance coverage of three months' cash flow, or \$250,000, whichever is greater, in blanket fidelity bond coverage.

317 Record Retention and Disposal

In accordance with the "Guide to Record Retention Requirements", National Archives and Records Administration, U.S. Department of Commerce, for the Internal Revenue Services, the following records will be retained for the indicated minimum periods:

- A. For seven years after the close of the year or until the tax audit of the return for the year is completed, whichever is longer: accounts payable and accounts receivable ledger, payroll records, inventory ledger, bad debt write-off supporting details, cash book, petty cash book, check register and checks, invoices (property owners), and insurance safety reports.
- B. Permanently: Audit reports; chart of accounts; financial statements; annual corporate reports; charters and by-laws and minutes; incorporation records; and retirement and pension records.
- C. All records not otherwise covered by rules of the Internal Revenue Service will be retained for three years from the end of the fiscal year in which the records were originally prepared.
- D. All financial records will be maintained in chronological order, organized by fiscal year, starting with the fiscal year commencing 2003.
- E. In connection with the disposal of any records, the Operations Manager, Bookkeeper or Administrative Assistant will prepare a memorandum of record disposal. The Operations Manager will certify this memorandum of records disposal.

319 Financial Reporting

The Bookkeeper will maintain supporting records in sufficient detail to prepare the Association's financial reports, including:

- A. Annually:
 - 1. Financial statements for audit
 - 2. Annual budget(s)
- B. Monthly:
 - 1. Trial balance
 - 2. Invoices to the Association's members
 - 3. Statements of Cash Flows
 - 4. Property Owner Activity Reports
 - 5. Financial Statements (Balance Sheet; Income Statement)
- C. Periodically:
 - 1. Annual Federal and state corporate tax return
 - 2. IRS Forms 941, 940, payroll tax returns, and comparable state taxing authority returns from POASC's payroll service.
 - 3. Other reports upon request

321 Audit and Review

- A. The Treasurer will arrange annually for a qualified public accounting firm to conduct an audit of the organization's financial statements. An Engagement Letter will establish the

scope of the audit with the public accounting firm, with the concurrence and approval of the Board of Directors.

- B. As part of the audit, the auditor must obtain independent evidence to substantiate the assertions made by the association's employees and management. Additionally, the auditor will conduct testing and validation of the Association's internal controls and accounting procedures, to include interviews of POASC personnel engaged in financial-related activities. The scope of testing and validation will be determined each year and presented in the CPA Engagement Letter. In all cases, the auditor will express an opinion whether the financial statements present fairly the entity's financial position and results of operations.
- C. Periodic reviews will be conducted of the POASC Property Tax bill, Asset, Repair and Replacement Fund schedule, Capital Improvement Fund, Operations Budget, Insurance and Asset Inventory in accordance with the Accounting Procedures Manual.

323 Internal Review Capacity

- A. Pursuant to Section **223**, POASC will establish and maintain an Internal Review Unit as a subcommittee of the Finance Committee to assist in the control of operations and safeguarding its assets. This unit will periodically assess the effectiveness of the organization's internal controls and review the effectiveness and efficiency of operations and organizational structures. The unit will also review specific reports, statements and reconciliations on a monthly basis.
- B. More specifically, the Internal Review Unit will conduct independent reviews and evaluations of management operations and activities to appraise:
 - 1. Controls in place to safeguard assets
 - 2. The accuracy, completeness and timeliness of financial and operating information
 - 3. Compliance with laws, policies and regulations
- C. In performing its functions, the Internal Review Unit has neither direct authority over, nor responsibility for, any of the activities reviewed. Internal reviewers will not develop and install procedures, prepare records, make management decisions, or engage in any other activity that could be reasonably construed to compromise their independence. However, in connection with the objectives of this function, Internal Review will recommend accounting policies and procedures for approval and implementation by appropriate management.
- D. Internal review activities will be coordinated, to the extent practicable, with the organization's public accountants to enhance audit efficiency.

325 Internal Review Access and Confidentiality

- A. To accomplish the ends to which internal review is directed, the Unit must have full, free and unrestricted access to all corporate functions, activities, operations, records, data files, computer programs, property and personnel.
- B. The Internal Review Unit will exercise discretion in the review of records to ensure the confidentiality of all matters that come to its attention.

327 Chart of Accounts

The principal account groupings in the chart of accounts of POASC are as follows:

100XX	Cash	Cash on deposit with banks and on hand at office exclusive of time deposits shown below.
102XX	Marketable Securities (CDs)	
103XX	Marketable Securities (CDAR)	Securities held on a non-permanent basis and readily marketable.
2XXXX	Accounts Payable	This account is distributed to other expense accounts on a monthly basis
4XXXX	Revenue	Assessments, Fees, Fines, Late Fees, Interest, other Misc. Income, Sale of Assets and Real Property
5XXXX	Operating Expense	Wages, Fringe Benefits, Purchases, Utilities, Vehicles, Insurance, etc.
7XXXX	Transfers to/from Reserve Fund accounts	

400 POLICIES RELATED TO ASSETS, LIABILITIES AND CAPITAL

401 Bank Accounts

- A. Bank accounts for the indicated purpose(s) must be authorized by the Treasurer and Board of Directors of POASC at Federal Deposit Insurance Corporation (FDIC)-insured banks. Cash and Certificate of Deposit amounts will be limited by the FDIC insurable limit in effect, and will be distributed among local banking institutions.
- B. To the maximum extent practical, the Association will maintain funds in interest-bearing accounts.
- C. In addition to maintaining its accounts in FDIC-insured banks, POASC has taken the following additional precautions to ensure the security of its funds:
 - 1. Negotiating with the bank or obtaining separate coverage for additional insurance on its overall deposits beyond the FDIC insurance level, and/or
 - 2. Periodically obtaining and reviewing the credit rating of each financial institution it does business with.

403 Petty Cash Payments

- A. The Petty Cash imprest fund (petty cash box) will be maintained by the Operations Manager. The cash on hand will not exceed \$300. The Operations Manager will fund

specific small cash transactions provided proper documentation is furnished with each request. The Petty Cash box will be reconciled each month and replenished as needed, but no less often than quarterly, and associated costs will be recorded in the Association's books of account.

- B. Other petty cash funds are separately maintained by the Communications and Activities Committees. Procedures for oversight of those accounts are contained in the Financial Procedures.

405 Accounts Receivable

Accounts Receivable consists primarily of property owner Assessments. Accounts Receivable may also include late payment fees, interest on late payments, fines, penalties and other miscellaneous receivables. Due to POASC's Cash Basis accounting methodology, most receivables are tracked via POASC's Property Owner Association accounting system, and reported separately from the POASC Financial Statements. Those reports will be generated on a monthly basis and will be reviewed by the Treasurer and the Internal Review Unit.

407 Collections

It is the policy and duty of the Board to aggressively pursue collections of any outstanding amounts owed to the Property Owners Association. The steps to be taken by the persons assigned to supervise collections are provided in the Accounting Procedures Manual.

409 Buy-in, Transfer and Impact Fees

POASC assigns fees related to the purchase and transfer of real property by property owners. Buy-in and Transfer Fees are charged to each buyer of property in Spanish Cove. Impact Fees are assessed for new development. Specific details are provided in the Accounting Procedures Manual.

411 Leases

Leases are accounted for as operating leases, and rent payments are charged to expense as incurred.

413 Capitalization of Equipment

- A. All tangible personal property with a useful life of more than two years and a unit acquisition cost of \$500 or more will be capitalized and depreciated over its useful life using the straight-line method of depreciation. POASC will expense the full acquisition cost of tangible personal property below these thresholds in the year of purchase.
- B. The basis of accounting for depreciable fixed assets is acquisition cost, and all normal expenditures, including installation costs, architect-engineer fees, sales taxes, excise taxes, etc., and costs of readying an asset for use will be capitalized. However, expenditures that do not add to the utility of the asset will be charged to the period incurred.

417 Self-Constructed Fixed Assets

- A. For all long-lived assets constructed by POASC, the following costs will be capitalized:
 - 1. All direct costs incurred specifically in the construction of the fixed asset
 - 2. Variable overhead and general and administrative costs
 - 3. Interest costs that are material
- B. Fixed overhead costs will not be capitalized unless they are increased by the construction of the asset.

419 Betterments

Expenditures for significant betterments of existing properties are capitalized at cost. Capitalized costs of projects consist of direct materials, labor and allocated overhead and general and administrative expenses. Maintenance and repairs are expensed as incurred.

421 Contracts and Bids

- A. Routine, recurring contracts (cleaning, pest control, equipment maintenance, etc.) which are satisfactorily performed and provided for in the budget, may be renewed one time by the Operations Manager. Where a routine contract results in quotes that are 10% higher than the budgeted amount, the Treasurer shall be consulted and the Operations Manager will present it to the Board of Directors for approval. If a change in specifications is required, the Operations Manager will refer such contracts to the appropriate committee or subcommittee, if any, and then present it to the Board of Directors for approval.
- B. Bids are required on all one-time projects or purchases that will result in a total cost of more than \$1,500.00. After the project or purchase approval by the Board of Directors, the Operations Manager will request at least three (3) bids if possible/practical.
 - 1. Non-budgeted project requirements are to be referred by the Operations Manager to the Treasurer to determine funding availability.
 - 2. The Operations Manager will present the findings to the Board of Directors.
- C. The appropriate committee, if any, requesting the bids will be made privy to all specifications and/or drawings as soon as they are available.
- D. The bids, as specified in the Request For bids or services, for any POASC business requiring competitive sealed bidding shall be opened in the presence of the Operations Manager and the Chairman of the Board or their designees. If only one bid is received, it will be presented to the Board of Directors without formal opening procedures.
- E. The Operations Manager shall make a recommendation to the Board of Directors regarding the award of a contract. The Manager shall provide a copy of all bids to the Board, and shall have a copy of the proposed contract available for review. The Board of Directors shall award the contract to the successful bidder, taking such action by resolution. The Board of Directors may refuse any or all bids and is not obligated to award a bid to the lowest bidder.

- F. In the event the awarding of a contract is delayed for more than 45 days from the date of the bid request, or the project is canceled, the Operations Manager will notify the bidder(s).
- G. All successful bidders must provide POASC with sufficient liability coverage and name POASC as an additional insured for all contracted insurance.

423 Authorized Investments

- A. Funds not required to be used on a current basis will be invested in short-term, interest-bearing investments consisting of money market funds, certificates of deposit or U.S. Treasury bills having maturities of more than six months. These investments must be FDIC Insured or federally guaranteed and readily convertible to cash. Investments will be stated at cost.
- B. The Treasurer is authorized to execute investments according to this policy on behalf of the Association. POASC's Finance Committee will review all proposed investments recommended by the Association Treasurer. The Treasurer will report the status of all investments to the Finance Committee and the Board of Directors on a monthly basis.

425 LIABILITIES

427 Accounts Payable

- A. Only valid accounts payable transactions based on documented purchase orders, vendor invoices, receiving reports or other approved documentation will be recorded as accounts payable.
- B. A voucher system, composed of the vendor invoice, packing slip, purchase order, requisition, receiving report, authorization of acceptance of goods or services, etc., will be observed by POASC. As such, an offline purchase order computer program will be maintained by the Accounting Clerk.
- C. An Accounts Payable reconciliation will be conducted monthly and reviewed by the Internal Review Unit

429 Accounts Payable Payment Policy

Vendors, suppliers and subcontractors will be paid on a payment due date/greatest need basis. POASC will take advantage of all early payment discounts offered.

431 Expenditure of POASC Funds

The Operations Manager, or a designated representative in his absence, is empowered to authorize payment of expenses incurred for the operation of the Property Owner's Association of Spanish Cove, Inc. as follows:

- A. Expenditures for periodically recurring items which are at or below the funding levels in the current budget need only to be reported in the monthly/quarterly financial statements. These include, but are not limited to, utility bills, County, State, Federal taxes, insurance premiums, wages and salaries, etc. Recurring expenses which exceed budgeted funding levels may be authorized, but must be specifically brought to the attention of the Finance Committee through the Chairman at the next meeting.

- B. Expenses of a non-recurring nature which do not exceed \$500.00 per item or service, do not require specific notification or approval. A non-budgeted item is an item that has not occurred in the previous six (6) months and is not anticipated to reoccur in the next ensuing six (6) months.
- C. Expenses of a non-recurring nature which exceed \$500.00 but not above \$1,500.00, if funded in the current budget, may be authorized immediately by the Operations Manager, but the Board of Directors shall be notified at the next scheduled session of the specific expenditure.
- D. Expenses required for extraordinary repairs or replacement of POASC assets due to emergency or natural disaster, regardless of the funding levels or if in an unfunded category, may be committed or approved but must be reported to the Chairman of the Board of Directors and the Chairman of the Finance Committee within twenty-four (24) hours.
- E. All other expenditures, regardless of nature or current budget funding, require specific Board of Directors approval prior to authorization.
- F. In case of disaster related expenses, the Operations Manager will pursue any available funding from FEMA.

433 Debt

- A. Short-term debt consists of financing expected to be paid within the normal operating cycle of the business or within one year of the date of the financial statements. Long-term debt is not expected to be repaid with the normal operating cycle of the business or within one year.
- B. All short-term and long-term debt will be approved by the Board of Directors and by property owners when required.

500 REVENUE SOURCES

501 Revenue Recognition

Revenue includes such items as Assessments; Buy-in, Transfer and Impact Fees; Update Advertising income; Foreclosure fees; income from laundry machines; Building Permits and other miscellaneous sources.

Under the Modified Cash basis of accounting, revenue is recognized on the books of account as it is received. The POASC's Property Management computer software will record and track any payments due in, late payments and fine/fees accrued. The Bookkeeper will provide a regular report summarizing the Unpaid Revenue status to the Treasurer. The Treasurer will report that status to the Board of Directors at least quarterly.

800 PROPERTY MANAGEMENT POLICIES

801 Plant Equipment and Property, Record and Inventory

POASC will maintain individual records for each item of plant equipment and property having a unit cost of \$100.00 or more. Records will be maintained in automated database format and will identify the item, acquisition cost, location, custodian (if applicable) and any other information deemed necessary for inventory tracking

803 Real Property, Record of

A. POASC will maintain an itemized record of the description, location, acquisition cost, and disposition of all real property, alterations, construction work and sites connected with such alteration and construction. Records will be maintained in automated database format

B. POASC will also maintain information on costs incurred for:

1. Additions, expansions, extensions, conversions, alterations and improvements that increase the value, life, utility, capability or serviceability of property
2. Maintenance, repair or rearrangements to maintain the real property in good physical condition
3. Real property sold, transferred, donated, destroyed by fire or other cause, abandoned-in-place or condemned

805 Physical Inventories

A. On an annual basis, POASC will conduct a physical inventory of all property in its possession or control.

B. Personnel performing the physical inventory will not be the same individuals who maintain the property records or have custody of the property unless other staff is unavailable to perform the inventory count.

807 Disposal and Control of Property, Plant and Equipment

A. No item of property, plant and equipment will be removed from the premises without prior approval from the Operations Manager (See Section **219A**).

B. When property is retired, the appropriate asset and accumulated depreciation accounts and assets accountability records will be adjusted.

C. Property and Equipment will be disposed of in accordance with the provisions of the POASC Financial Procedures Manual Section 505.

809 Fully-Depreciated Assets

Record of fully depreciated assets will be maintained as long as the property is in continuous use.

811 Disposable Items

All small-dollar items expected to be used and disposed within two years of purchase will not be tagged, inventoried and tracked.